

# Annual Financial Statements

for

## **DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**

for the year ended 30 June: **2012**

Province: 

<b>Mpumalanga</b>
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AFS rounding: 

<b>R (i.e. only cents)</b>
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<b>Name of Chief Financial Officer:</b>	ZT Shongwe
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**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

**General information**

**Members of the Council**

Phalaborwa Vincent Malatsi  
Zilindile Hamilton Luhlanga  
Thokozani Alfred Mazibuko  
Busisiwe Goodness Mavuso  
Tshuba Paulina Dakile  
Nomqibelo Emma Hlakutse  
Lodewyk De Jager  
Melusi Selby Mndebele  
Fanyana Joshua Mazibuko  
Thulani Obed Shabangu  
Esther Mapaseka Thwala  
Bheki Jachonia Mhlanga  
Mbongiseni Stanley Motha  
Zodwa Eunice Dlodlu  
Phumzile Maureen Mazibuko  
Paul Ryk Roux De Kock  
Cornelius Hendrick  
Anna Catharina Elizabeth Botha  
Selina Nomlindelo Nxumalo  
Thulani Emmanuel Mbokane

**Mayor**  
**Speaker**  
**Member of the Mayoral Committee**  
**Member of the Mayoral Committee**  
**Member of the Mayoral Committee**  
**Ward Councillor**  
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**Ward Councillor**  
**Ward Councillor**  
**Ward Councillor**

**Municipal Manager**

**Chief Financial Officer**

ZT Shongwe

**Grading of Local Authority**

Medium sized

**Auditors**

Auditor-General

**Bankers**

First National Bank Limited

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

**General information (continued)**

**Registered Office:** Volksrust

**Physical address:**  
  
**DR PIXLEY KA ISAKA SEME MUNICIPALITY**  
C/O Nelson Mandela and Adelaide Tambo Streets  
VOLKSRUST  
2470

**Postal address:**  
  
**DR PIXLEY KA ISAKA SEME MUNICIPALITY**  
PRIVATE BAG X9011  
VOLKSRUST  
2470

**Telephone number:** 017 734 6100

**Fax number:** 086 630 2209

**E-mail address:** [records@pixleykaseme.co.za](mailto:records@pixleykaseme.co.za)

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

**Approval of annual financial statements**

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 5 to 60 in terms of Section 126(1) of the Municipal Finance Management Act 2003 (Act 56 of 2003) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 23 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the remuneration of Public Office Bearers Act 1998 (Act 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

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Chief Financial Officer

*DATE*

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
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**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION**

as at 30 June 2012

	Note	2012 R	2011 R
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	1	23 519 128	28 602 346
Unit trusts		368 439	368 439
Trade and other receivables	2	72 687 591	56 930 029
Other receivables	3	22 237 842	23 375 199
Inventories	4	235 379	604 667
VAT receivable	11	3 228 723	3 230 981
Work in progress and related costs		28 223 544	19 036 766
<b>Non-current assets</b>			
Investment properties	5	18 800 071	18 800 000
Property, plant and equipment	6	763 700 582	717 110 755
Intangible assets	7	10 957	14 769
<b>Total assets</b>		<b>933 012 256</b>	<b>868 073 952</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	8	17 147 320	23 677 698
Consumer deposits	9	1 654 191	1 608 865
VAT payable	10	6 187 393	-
Finance lease liability	14	-	200 213
Provisions	12	7 909 000	4 592 290
Current portion of unspent conditional grants and receipts	13	38 212 194	18 110 926
<b>Non-current liabilities</b>			
Finance lease liability	14	14 014	14 014
Provision for rehabilitation of landfill sites	45	2 446 143	-
<b>Total liabilities</b>		<b>73 570 256</b>	<b>48 204 007</b>
<b>Net assets</b>		<b>859 442 000</b>	<b>819 869 945</b>
<b>NET ASSETS</b>			
Non distributable reserve		1 087 463 607	949 985 893
Other reserves		-	-
Accumulated surplus / (deficit)		(228 021 607)	(130 115 948)
<b>Total net assets</b>		<b>859 442 000</b>	<b>819 869 945</b>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY****STATEMENT OF FINANCIAL PERFORMANCE**

for the year ending 30 June 2012

	<b>Note</b>	<b>2012 R</b>	<b>2011 R</b>
<b>Revenue</b>			
Property rates	15	13 768 603	14 622 003
Service charges	16	61 519 964	64 071 963
Rental of facilities and equipment	17	575 155	571 205
Interest earned - current account	18	764 669	389 563
Interest earned - call account	18	281 190	1 532 026
Interest earned - outstanding receivables	19	10 028 090	7 460 000
Fines		306 862	421 256
Licences and permits		3 042 406	2 178 780
Government grants and subsidies	20	80 398 011	99 742 128
Other income	21	191 264	47 361 868
<b>Total revenue</b>		<b>170 876 215</b>	<b>238 350 793</b>
<b>Expenses</b>			
Employee related costs	22	58 138 504	58 032 928
Contract workers costs		766 876	781 060
Remuneration of councillors	23	5 535 663	5 407 898
Provision for leave		2 133 186	3 023 262
Provision for bonus		1 400 705	1 065 804
Bad debts writeoff and provision		8 616 796	20 072 755
Depreciation and amortisation expense	24	126 867 981	218 460 766
Repairs and maintenance		7 321 770	6 349 240
Lease finance costs	25	8 283	34 777
Bulk purchases	26	35 318 935	21 274 299
Contracted services	27	6 552 035	2 647 544
Grants and subsidies paid	28	4 414 491	15 331 605
General expenses	29	34 356 478	35 139 305
Long outstanding items released			-
<b>Total expenses</b>		<b>291 431 704</b>	<b>387 621 243</b>
Asset writeoff	30	132 126	(1 116)
<b>Surplus/(Deficit for the period)</b>		<b>(120 687 614)</b>	<b>(149 271 565)</b>

**DR PIXLEY KA ISAKA SEME LOC**

**STATEMENT OF CHANGES IN**

as at 30 June 2012

		Revaluation Reserve	Capital Replacement Reserve	Government Grant Reserve	Capitalisation Reserve
	Note	R	R	R	R
<b>Balance at 30 June 2010</b>		<b>1 003 863 363</b>	<b>8 873 039</b>	<b>67 499 813</b>	<b>35 324 361</b>
Transfers to / from accumulated surplus/(deficit)		(52 076 403)	(8 873 039)	(67 499 813)	(35 324 361)
Correction of an errors		(1 801 067)			
Surplus / (deficit) for the period					
<b>Balance at 30 June 2011</b>		<b>949 985 893</b>	-	-	-
Change in accounting policy					
Correction of an error		137 477 714			
Transfers to / from accumulated surplus / (deficit) for the period					
Current year movements					
<b>Balance at 30 June</b>		<b>1 087 463 607</b>	-	-	-



**LOCAL MUNICIPALITY**  
**NET ASSETS**

Employee Benefit Fund	Depreciation Reserve	Total: Reserves	Accumulated Surplus	Total: Net Assets
R	R	R	R	R
680 324	26 691 463	1 142 932 363	(171 946 961)	970 985 402
				-
(680 324)	(26 691 463)	(191 145 403)	191 145 403	-
		(1 801 067)	(42 825)	(1 843 892)
			(149 271 565)	(149 271 565)
-	-	949 985 893	(130 115 948)	819 869 945
		-	22 709 380	-
			(120 687 614)	(120 687 614)
			72 576	72 576
-	-	949 985 893	(228 021 607)	699 254 906

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**

**CASH FLOW STATEMENT**

as at 30 June 2012

	<b>Note</b>	<b>2012</b>	<b>2011</b>
		<b>R</b>	<b>R</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		184 617 275	195 548 484
Sales of goods and services		102 982 141	67 904 547
Grants received		80 398 011	118 262 348
Interest received		1 045 859	9 381 589
Other income		191 264	-
Payments		172 585 933	187 676 134
Employee costs		58 905 380	58 032 928
Remuneration of councillors		5 535 663	5 407 898
Suppliers		103 730 399	108 872 075
Grants paid		4 414 491	15 363 233
<b>Net cash flows from operating activities</b>	<b>31</b>	<b>12 031 343</b>	<b>7 872 350</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets (PPE)		(16 914 276)	(23 706 092)
Acquisition of intangible assets		-	(6 884)
Proceeds from sale of properties		(71)	-
Acquisition of investment in unit trusts		-	(368 439)
Decrease/(Increase) in Loans and receivables		-	-
<b>Net cash flows from investing activities</b>		<b>(16 914 347)</b>	<b>(24 081 415)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings (including interest)		(200 213)	(348 369)
Increase in provisions		-	-
<b>Net cash flows from financing activities</b>		<b>(200 213)</b>	<b>(348 369)</b>
<b>Net increase / (decrease) in net cash and cash equivalents</b>		<b>(5 083 217)</b>	<b>(16 557 434)</b>
<b>Net cash and cash equivalents at beginning of period</b>		<b>28 602 346</b>	<b>45 159 780</b>
<b>Net cash and cash equivalents at end of period</b>	<b>32</b>	<b>23 519 129</b>	<b>28 602 346</b>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
for the year ending 30 June 2012

**1 BASIS OF ACCOUNTING**

**1.1 BASIS OF PRESENTATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

**1.2 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

**1.3 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

**1.4 COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

## **SUMMARISED GRAP STANDARDS AND INTERNATIONAL FINANCIAL REPORTING**

### **1.5 STANDARDS (IFRS)**

The standards in application are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 3	
GRAP 4	The effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separated Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-Current Assets held for sale and discontinued operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
IFRS 7	Financial Instruments-Disclosure
IFRS 8	Operating Segments
IAS39	Financial Instruments-Recognition and Measurements

## **2 PROPERTY, PLANT AND EQUIPMENT**

### **2.1 INITIAL RECOGNITION**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

## 2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

## 2.3 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

## 2.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

<b>Infrastructure</b>		<b>Other</b>	
Roads and Paving	10 - 15 years	Buildings	30 years
Electricity	20 - 30 years	Specialist vehicles	20 years
Water	15 - 20 years	Other vehicles	5 - 7 years
Sewerage		Furniture and fittings	7 - 10 years
		Bins and containers	5 - 10 years
<b>Finance lease assets</b>		Military equipment	15 years
Office equipment	3 years	Computer equipment	3 - 5 years

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

## **2.5 DERECOGNITION**

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

# **3 INTANGIBLE ASSETS**

## **3.1 INITIAL RECOGNITION**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

## **3.2 SUBSEQUENT MEASUREMENT - COST MODEL**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

### **3.3 DERECOGNITION**

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **4 INVESTMENT PROPERTY**

### **4.1 INITIAL RECOGNITION**

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

### **4.2 SUBSEQUENT MEASUREMENT - COST MODEL**

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

### **4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL**

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

## **5 NON-CURRENT ASSETS HELD FOR SALE**

### **5.1 INITIAL RECOGNITION**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

#### **SUBSEQUENT**

### **5.2 MEASUREMENT**

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

## **6 INVENTORIES**

### **6.1 INITIAL RECOGNITION**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### **6.2 SUBSEQUENT MEASUREMENT**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.



## **7 FINANCIAL INSTRUMENTS**

### **7.1 INITIAL RECOGNITION**

Financial instruments are initially recognised at fair value.

### **7.2 SUBSEQUENT MEASUREMENT**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

#### **7.2.1 INVESTMENTS**

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

#### **7.2.2 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within an impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

#### **7.2.3 TRADE PAYABLES AND BORROWINGS**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

#### **7.2.4 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

## **8 INVESTMENTS IN ASSOCIATES**

An associate is an entity in which the investor has significant influence and which is neither a controlled entity nor a joint venture of the investor. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The municipality exercises judgement in the context of all available information to determine if it has significant influence over an investee.

The equity method involves recognising the investment initially at cost, then adjusting for any change in the investor's share of net assets of the associate since it acquired it. A single line-item in the Statement of Financial Performance presents the investor's share of the associate's surplus or deficit for the year.

The municipality commences accounting for an investment in an associate from the date that significant influence exists and discontinues the application of the equity method when it no longer has significant influence over an associate. Investments that are retained in whole or in part are subsequently accounted for in accordance with the accounting policies on subsidiaries, joint ventures or financial instruments depending on the nature of the retained investment.

The municipality uses the most recent available financial statements of the associate in applying the equity method. Where the reporting periods of the associate and the municipality are different, separate financial statements for the same period are prepared by the associate unless it is impracticable to do so. When the reporting dates are different, the municipality makes adjustments for the effects of any significant events or transactions between the investor and the associate that occur between the different reporting dates. Adjustments are made to ensure consistency between the accounting policies of the associate and the municipality.

## **9 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **10 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **11 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **12 PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

## **13 LEASES**

### **MUNICIPALITY AS LESSEE**

#### **13.1**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

### **13.2 MUNICIPALITY AS LESSOR**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

## **14 REVENUE**

### **14.1 REVENUE FROM EXCHANGE TRANSACTIONS**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

#### **14.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

#### **14.3 GRANTS, TRANSFERS AND DONATIONS**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

## **15 BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

## **16 RETIREMENT BENEFITS**

The municipality provides retirement benefits for its employees and councillors.

Defined contribution plans

Obligations for contributions to defined contributions plans are recognised as an expense in the income statement as incurred. Contributions to the defined pension plan in respect of service in a particular period are included in the employees total cost of employment and are charged to the statement of financial performance in the year to which they relate as part of cost of employment.

Post employment medical care benefits

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employee remaining in service up to retirement age and the completion of a minimum service period. The expected cost of these is accrued over the period of employment.

## **17 CONSTRUCTION CONTRACTS AND RECEIVABLES**

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

## **18 IMPAIRMENT OF ASSETS**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2012**

	2012 R	2011 R
<b>1 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents consist of the following:		
Cash on hand	-	-
Cash at bank	20 429 712	9 012 930
Call deposits	3 089 416	19 589 416
	<u>23 519 128</u>	<u>28 602 346</u>

The Municipality has the following bank accounts: -

**Current Account (Primary Bank Account)**

First National Bank Limited - Volkrust Branch: Account Number 54180010025

Cash book balance at beginning of year	9 012 930	(192 960)
Cash book balance at end of year	<u>7 477 274</u>	<u>9 012 930</u>
Bank statement balance at beginning of year	9 012 930	2 118 575
Bank statement balance at end of year	<u>10 018 439</u>	<u>9 012 930</u>

**Money Market Account**

FNB Bank Limited - Volksrust Branch: Money Market Account Number 62092639875

Cash book balance at beginning of year	19 589 416	-
Cash book balance at end of year	<u>3 089 311</u>	<u>19 589 416</u>
Bank statement balance at beginning of year	19 589 416	-
Bank statement balance at end of year	<u>3 089 311</u>	<u>19 589 416</u>

**MIG Bank Account**

FNB Bank Limited - Volksrust Branch: Call Account Number 62320778808

Cash book balance at beginning of year	13 633 282	-
Cash book balance at end of year	<u>11 788 191</u>	<u>-</u>
Bank statement balance at beginning of year	13 633 282	-
Bank statement balance at end of year	<u>11 788 191</u>	<u>-</u>



**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
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**FMG Bank Account**

FNB Bank Limited - Volksrust Branch: Call Account  
Number 62320780085

Cash book balance at beginning of year	1 250 000	-
Cash book balance at end of year	1 253 536	-
Bank statement balance at beginning of year	1 250 000	-
Bank statement balance at end of year	1 253 536	-

**Cash on hand**

	-	-
Total cash and cash equivalents	26 149 477	28 602 346
Total bank overdraft	-	-

2	<b>TRADE AND OTHER RECEIVABLES</b>	<b>Gross Balances</b>	<b>Provision for</b>	<b>Net Balance</b>
		<b>R</b>	<b>Doubtful Debts</b>	<b>R</b>
		<b>R</b>	<b>R</b>	<b>R</b>
	<b><u>Trade receivables</u></b>			
	<b>as at 30 June 2012</b>			
	Service debtors			
	Electricity	10 222 427	(3 879 179)	6 343 248
	Water	32 903 181	(12 486 020)	20 417 161
	Rates	27 056 827	(10 291 465)	16 765 362
	Sewerage	23 659 023	(9 002 479)	14 656 544
	Refuse and other	23 378 298	(8 873 022)	14 505 276
	<b>Total</b>	<b>117 219 756</b>	<b>(44 532 165)</b>	<b>72 687 591</b>
	<b><u>Other receivables</u></b>	-	-	-
	<b>Other receivables</b>	-	-	-
	<b>Total Trade and other receivables</b>	<b>117 219 756</b>	<b>(44 532 165)</b>	<b>72 687 591</b>
	<b>as at 30 June 2011</b>			
	Service debtors			
	Electricity	10 980 402	(3 575 093)	7 405 309
	Water	28 685 899	(8 448 487)	20 237 412
	Rates	19 234 894	(6 700 640)	12 534 254
	Sewerage	16 989 595	(5 654 444)	11 335 151
	Refuse	16 954 602	(6 407 212)	10 547 390
	Correction of error		(5 129 493)	(5 129 493)
	<b>Total</b>	<b>92 845 392</b>	<b>(35 915 369)</b>	<b>56 930 023</b>
	<b>Other receivables</b>	-	-	-
	<b>Other receivables</b>	-	-	-
	<b>Total Trade and other receivables</b>	<b>92 845 392</b>	<b>(35 915 369)</b>	<b>56 930 023</b>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	2012 R	2011 R
<b><u>Rates: Ageing</u></b>		
Current (0 – 30 days)	352 936	718 832
31 - 60 Days	677 809	668 613
61 - 90 Days	620 923	532 651
Over 90 days	25 468 437	17 314 798
<b>Total</b>	<b>27 120 105</b>	<b>19 234 894</b>

**Electricity, Water and Sewerage: Ageing**

Current (0 – 30 days)	1 012 124	6 481 739
31 - 60 Days	1 840 783	2 316 972
61 - 90 Days	1 943 507	2 349 654
Over 90 days	62 052 582	45 507 531
<b>Total</b>	<b>66 848 997</b>	<b>56 655 896</b>

**Summary of Debtors by Customer Classification**

	Consumers R	Industrial / Commercial/ Agriculture R	National and Provincial Government R
<b>as at 30 June 2012</b>			
Current (0 – 30 days)	2 763 261	1 893 344	445 616
31 - 60 Days	2 799 876	1 635 926	726 750
61 - 90 Days	2 168 993	989 971	389 162
Over 90 days	56 729 540	31 581 275	15 227 603
Sub-total	<b>64 461 670</b>	<b>36 100 516</b>	<b>16 789 131</b>
Less: Provision for doubtful debts	(24 461 742)	(13 699 327)	(6 371 095)
<b>Total debtors by customer classification</b>	<b>39 999 928</b>	<b>22 401 189</b>	<b>10 418 036</b>

	Consumers	Industrial / Commercial/ Agriculture	National and Provincial Government
<b>as at 30 June 2011</b>			
Current (0 – 30 days)	4 517 539	2 154 929	262 347
31 - 60 Days	1 757 117	1 295 249	279 811
61 - 90 Days	1 620 035	1 253 002	232 009
Over 90 days	41 549 176	35 056 385	2 867 794
Sub-total	<b>49 443 866</b>	<b>39 759 565</b>	<b>3 641 961</b>
Less: Provision for doubtful debts	(19 543 858)	(16 371 511)	-
<b>Total debtors by customer classification</b>	<b>29 900 008</b>	<b>23 388 054</b>	<b>3 641 961</b>

	2012 R	2011 R
<b><u>Reconciliation of the doubtful debt provision</u></b>		
Balance at beginning of the year	35 915 369	16 616 777
Contributions to provision	8 616 796	19 298 592
Reversal of provision	-	-
<b>Balance at end of year</b>	<b>44 532 165</b>	<b>35 915 369</b>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2012**

**Trade and other receivables past due but not impaired**

Consumer debtors disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The average credit period on services 30 days. Interest is charged on consumer debtors for the first 60 days from the date of the invoice. Thereafter, interest is charged at 2% per annum on the outstanding balance. The Municipality has recognised an allowance for doubtful debts of 38% against all consumer debtors based on the average payment ration of 62% over the period of 3 years.

Consumer debtors disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Municipality has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts (which include interest accrued after the receivable is more than 60 days outstanding) are still considered recoverable. The Municipality does not hold any collateral or other credit enhancements over these balances.

	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
<b>The ageing of amounts past due but not impaired is as follows:</b>		
1 month past due	3 203 481	3 332 177
2 months past due	2 201 692	2 949 793
3 months past due	64 280 912	47 684 013
Correction of error		(5 129 493)
	69 686 085	48 836 490
	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>

**Trade and other receivables impaired**

The amount of the provision was R44,532,164 as of 30 June 2012 (2011: R35,915,369).

The ageing of these receivables is as follows:  
 3 to 6 months

117 219 756	79 478 597
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The fair value of trade and other receivables approximates their carrying amounts.

**3 OTHER RECEIVABLES**

Sale of stands	1 167 889	1 280 419
Other debtors	14 245	-
Cash suspense	21 055 708	22 094 780
Correction of an error		
<b>Total Other Debtors</b>	<b>22 237 842</b>	<b>23 375 199</b>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

**4 INVENTORIES**

**Opening balance of inventories:**

	<b>604 667</b>	<b>468 140</b>
Consumable stores - at cost	444 041	364 451
Water	160 626	103 689
Stands for resale	-	-

**Additions:**

	-	-
Consumable stores	-	-
Water	-	-
Stands for resale	-	-

**Issued/sold (expensed):**

	<b>(369 288)</b>	<b>136 527</b>
Consumable stores	(259 660)	79 590
Water	(109 628)	56 937
Stands for resale	-	-

**Write-down / (reversal of write-down) to Net Replacement Value (NRV) or Net Replacement Cost (NRC):**

	-	-
Consumable stores	-	-
Water	-	-
Stands for resale	-	-

**Closing balance of inventories:**

	<b>235 379</b>	<b>604 667</b>
Consumable stores	184 381	444 041
Water	50 998	160 626
Stands for resale	-	-

**2012**  
**R**

**2011**  
**R**

**5 INVESTMENT PROPERTIES CARRIED AT FAIR VALUE**

<b>As at 1 July</b>	<b>18 800 000</b>	<b>18 800 000</b>
Acquisitions	71	-
Fair value adjustment	-	-
Fair value of disposals	-	-
Impairment loss/Reversal of impairment loss	-	-
Transfers	-	-
Other movements	-	-
<b>as at 30 June</b>	<b>18 800 071</b>	<b>18 800 000</b>

### 13.1 Reconciliation of fair value

### 13.2 Investment property pledged as security

### Investment property

### 13.3 Rental income from investment property

### 13.4 Details of valuation

The valuation was based on open market value for existing use.

The valuation was performed in terms of the draft Asset Management Policy and the assumptions.

These assumptions are based on current market conditions.

<b>13.5</b> Amounts recognised in surplus or deficit for the year.	-	-
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**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**6 PROPERTY, PLANT AND EQUIPMENT**

<b>6.1 Reconciliation of Carrying Value</b>	<b>Land</b>	<b>Buildings</b>	<b>Infrastructure</b>	<b>Community</b>	<b>Other Assets</b>	<b>Finance lease assets</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>as at 1 July 2011</b>	<b>117 535 000</b>	<b>58 442 964</b>	<b>532 246 786</b>	<b>-</b>	<b>8 793 283</b>	<b>92 723</b>	<b>717 110 756</b>
Cost/Revaluation	117 535 000	62 636 000	948 146 001	-	26 217 181	403 606	1 154 937 788
Accumulated depreciation and impairment losses	-	(4 193 036)	(415 899 215)	-	(17 423 898)	(310 883)	(437 827 032)
Acquisitions							
- Cash	-	71	11 505 197	-	5 409 079	-	16 914 347
- Transfers from District	-	-	12 057 691	-	4 690 298	-	16 747 989
- Other transfers		137 773 192					137 773 192
Depreciation	-	(4 971 128)	(116 952 950)	-	(4 867 929)	(72 161)	(126 864 168)
Carrying value of disposals	<b>14 347</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(146 473)</b>	<b>-</b>	<b>(132 126)</b>
Cost/Revaluation	(6 000)	-	-	-	(256 329)	-	(262 329)
Accumulated depreciation and impairment losses	20 347	-	-	-	109 856	-	130 203
Other movements	2 305 643	(262 000)	-	-	106 950	-	2 150 593
<b>as at 30 June 2012</b>	<b>119 854 990</b>	<b>190 983 099</b>	<b>438 856 724</b>	<b>-</b>	<b>13 985 208</b>	<b>20 562</b>	<b>763 700 582</b>
Cost/Revaluation	119 834 643	200 147 263	971 708 889	-	36 167 179	403 606	1 328 261 579
Accumulated depreciation and impairment losses	20 347	(9 164 164)	(532 852 165)	-	(22 181 971)	(383 044)	(564 560 997)

Refer to Appendix B for more detail on property, plant and equipment

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

6.1 Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R
<b>as at 1 July 2010</b>	<b>118 516 500</b>	<b>59 923 112</b>	<b>711 506 753</b>	<b>-</b>	<b>11 883 870</b>	<b>208 238</b>	<b>902 038 472</b>
Cost/Revaluation	118 516 500	81 436 000	919 080 063	-	21 350 673	319 609	1 140 702 845
Accumulated depreciation and impairment losses	-	(2 712 888)	(207 573 310)	-	(9 466 803)	(111 371)	(219 864 373)
Correction of error		(18 800 000)					(18 800 000)
 Acquisitions							
- Cash	-	-	18 876 093	-	4 829 999	-	23 706 092
- Transferred from District	-	-	10 189 845	-	-	-	10 189 845
 Depreciation	-	(1 480 148)	(208 325 905)	-	(7 919 470)	(115 515)	(217 841 038)
As previously stated		(2 712 892)	(208 325 905)		(7 919 470)	(115 515)	(219 073 782)
Correction of error		1 232 744					1 232 744
 Carrying value of disposals	-	-	-	-	(1 116)	-	(1 116)
Cost/Revaluation	-	-	-	-	(2 675)	-	(2 675)
Accumulated depreciation and impairment losses	-	-	-	-	1 559	-	1 559
 *Other movements	(981 500)	-	-	-	-	-	(981 500)
<b>as at 30 June 2011</b>	<b>117 535 000</b>	<b>58 442 964</b>	<b>532 246 786</b>	<b>-</b>	<b>8 793 283</b>	<b>92 723</b>	<b>717 110 756</b>
Cost/Revaluation	117 535 000	62 636 000	948 146 001	-	26 217 181	403 606	1 154 937 788
Accumulated depreciation and impairment losses	-	(4 193 036)	(415 899 215)	-	(17 423 898)	(310 883)	(437 827 032)

Refer to Appendix B for more detail on property, plant and equipment

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2012**

**6.2 Details of valuation**

The effective date of the revaluations was 1 July 2010. Revaluations were performed by an independent valuers, H Bakker, BCOMPT and a Member of South African Institute of Professional Accountants.

Land and buildings are re-valued independently every 4 years.

The valuation was performed in terms of the draft Asset Management Policy and the assumptions.



**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

**7 INTANGIBLE ASSETS**

**7.1 Reconciliation of carrying value**

**Computer Software**  
**R**

<b>as at 1 July 2011</b>	<b>14 769</b>
Cost	18 810
Accumulated amortisation and impairment losses	(4 041)
Acquisitions	-
Amortisation	(3 812)
<b>as at 30 June 2012</b>	<b>10 957</b>
Cost	18 810
Accumulated amortisation and impairment losses	(7 853)

**7.2 Reconciliation of carrying value**

**Computer Software**  
**R**

<b>as at 1 July 2010</b>	<b>11 241</b>
Cost	11 926
	(685)
Acquisitions	6 884
Amortisation	(3 356)
<b>as at 30 June 2011</b>	<b>14 769</b>
Cost	18 810
Accumulated amortisation and impairment losses	(4 041)

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	2012 R	2011 R
<b>8 TRADE AND OTHER PAYABLES</b>		
Trade creditors	12 737 842	22 346 039
Retentions	1 851 529	1 331 659
Other creditors	2 557 949	-
<b>Total creditors</b>	<b>17 147 320</b>	<b>23 677 698</b>
The fair value of trade and other payables approximates their carrying amounts.		
<b>9 CONSUMER DEPOSITS</b>		
Electricity and Water	1 654 191	1 608 865
Accrued interest	-	-
<b>Total consumer deposits</b>	<b>1 654 191</b>	<b>1 608 865</b>
<b>10 VAT PAYABLE</b>		
VAT payable	6 187 393	-
Correction of prior period error	-	-
	<b>6 187 393</b>	<b>-</b>
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.		
<b>11 VAT RECEIVABLE</b>		
VAT receivable	3 228 723	3 230 981
Correction of error	-	-
	<b>3 228 723</b>	<b>3 230 981</b>
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.		
<b>12 PROVISIONS</b>		
Performance bonus	1 400 705	1 569 028
Provision for leave	3 481 238	3 023 262
Other provisions	3 027 057	-
<b>Total Provisions</b>	<b>7 909 000</b>	<b>4 592 290</b>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Performance bonuses are paid one year in arrear.

The movement in current provisions are reconciled as follows: -

	Water	Performance Bonus	Provision for leave
<b>as at 1 July 2011</b>	-	1 569 028	3 023 262
Contributions to provision	3 027 057	1 400 705	2 133 186
Release to Statement of Financial performance	-	-	-
Expenditure incurred	-	(1 569 028)	(1 675 210)
<b>as at 30 June 2012</b>	<b>3 027 057</b>	<b>1 400 705</b>	<b>3 481 238</b>

<b>as at 1 July 2010</b>	-	503 224	-
Contributions to provision	-	1 569 028	3 023 262
Release to Statement of Financial performance	-	(503 224)	-
Expenditure incurred	-	-	-
<b>as at 30 June 2011</b>	<b>-</b>	<b>1 569 028</b>	<b>3 023 262</b>

**2012**  
**R**

**2011**  
**R**

**13 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**13.1 Unspent Conditional Grants from other spheres of Government**

MIG Grants	24 510 549	9 439 746
Financial Management Grant	351 111	239 858
Municipal Systems Improvement Grant	113 677	184 944
EPWP Grant	11 997 761	7 634 996
Skills Development Grant	1 239 095	454 102
Other grants and subsidies	-	157 280
Other	-	-

<b>Total Unspent Conditional Grants and Receipts</b>	<b>38 212 194</b>	<b>18 110 926</b>
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**Non-current unspent conditional grants and receipts**

<b>Current portion of unspent conditional grants and receipts</b>	<b>38 212 194</b>	<b>18 110 926</b>
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See Note 19 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

	2012 R	2011 R
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**14 Finance lease liabilities**

Finance lease liabilities relate photocopying machines leased by the Municipality from outside parties.

	2012 R	Present value of minimum payments R	2011 R
Minimum lease payments are as follows:			
- Not later than one year	14 014	12 858	200 213
- Later than one year but not later than 5 years			
	-	-	14 014

	2012 R	2011 R
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**15 PROPERTY RATES**

**Actual**

Residential	6 417 034	4 181 936
Commercial	2 598 787	7 733 883
Light Industries	833 428	4 067
Heavy Industries	2 234 008	1 132 422
State	1 685 346	1 569 695
<b>Total property rates</b>	<b>13 768 603</b>	<b>14 622 003</b>

Property rates - penalties imposed and collection charges

	-	-
<b>Total</b>	<b>14 622 003</b>	<b>14 622 003</b>

**Valuations**

Residential	249 486 100	268 233 602
Commercial	308 456 950	99 742 400
State	227 211 000	20 887 800
Non-ratable	21 724 300	8 358 960
Municipal	85 726 800	24 692 300
<b>Total Property Valuations</b>	<b>892 605 150</b>	<b>421 915 062</b>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.

	2012 R	2011 R
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**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

**16 SERVICE CHARGES**

Sale of electricity	34 674 473	22 657 978
Sale of water	11 309 919	23 102 416
Refuse removal	5 860 558	6 745 402
Sewerage and sanitation charges	9 675 014	11 566 168
<b>Total Service Charges</b>	<b>61 519 964</b>	<b>64 071 964</b>

**17 RENTAL OF FACILITIES AND EQUIPMENT**

Rental of facilities	575 155	571 205
Other rentals	-	-
<b>Total rentals</b>	<b>575 155</b>	<b>571 205</b>

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**18 INTEREST EARNED - EXTERNAL INVESTMENTS**

Bank - Money market account	764 669	1 532 026
Bank - Cheque account	281 190	389 563
<b>Total interest</b>	<b>1 045 859</b>	<b>1 921 589</b>

**19 INTEREST EARNED - OUTSTANDING RECEIVABLES**

Consumer debtors	10 028 090	7 460 000
<b>Total interest</b>	<b>10 028 090</b>	<b>7 460 000</b>

**20 GOVERNMENT GRANTS AND SUBSIDIES**

Equitable share	74 445 947	66 690 160
MIG Grant	11 505 197	18 974 564
Other Government Grants and Subsidies	-	3 887 559
MIG Grant from District	16 747 989	10 189 845
Correction of error	(22 301 122)	-
<b>Total Government Grant and Subsidies</b>	<b>80 398 011</b>	<b>99 742 128</b>

**2012**  
**R**

**2011**  
**R**

**20.1 Equitable Share**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

74 445 947      66 690 160

**20.2 MIG Grant**

<b>Balance unspent at beginning of year</b>	<b>9 439 746</b>	<b>6 324 966</b>
Current year receipts	26 576 000	22 096 000
Conditions met - transferred to revenue	(11 505 197)	(18 981 220)
<b>Conditions still to be met - remain liabilities</b>	<b>24 510 549</b>	<b>9 439 746</b>

*Infrastructure grants for use towards water and sanitation projects.*

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	2012 R	2011 R
<b>20.3 Financial Management Grant</b>		
Balance unspent at beginning of year	239 858	-
Current year receipts	1 250 000	1 000 000
Expenditure	(1 138 747)	(760 142)
<b>Conditions still to be met - remain liabilities</b>	<b>351 111</b>	<b>239 858</b>

*For Financial management assistance within the municipality.*

**20.4 Municipal Systems Improvement Grant**

Balance unspent at beginning of year	184 944	(8 380)
Opening balance adjustment	-	8 380
Current year receipts	790 000	750 000
Expenditure	(861 267)	(565 056)
<b>Conditions still to be met - remain liabilities</b>	<b>113 677</b>	<b>184 944</b>

*The grant allocated was utilised towards development and implementation of municipal turn around strategies, strengthening administrative systems for effective implementation of ward participation systems, support interventions of municipality viability, management and improvement of municipal audit outcomes.*

**20.5 Draught Relief**

Balance unspent at beginning of year	-	(7 709)
Transfer to Statement of Financial Performance	-	7 709
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - remain liabilities</b>	<b>-</b>	<b>-</b>

*Funds to be used towards drought relief purposes only, that is for emergency water provision.*

**20.6 Local Government Support Grant**

Balance unspent at beginning of year	-	41 770
Transfer to Statement of Financial Performance	-	(41 770)
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - remain liabilities</b>	<b>-</b>	<b>-</b>

*Funds to be used towards local government activities.*

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	2012 R	2011 R
<b>20.7 Road Management Grant</b>		
Balance unspent at beginning of year	-	(54 083)
Transfer to Statement of Financial Performance	-	54 083
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - remain liabilities</b>	<u>-</u>	<u>-</u>

*Funds to be used towards road management purposes only.*

<b>20.8 Daggak Trade Center and Taxi Grant</b>		
Balance unspent at beginning of year		44 885
Transfer to Statement of Financial Performance		(44 885)
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - remain liabilities</b>	<u>-</u>	<u>-</u>

*Funds to be utilised towards construction of Daggakraal Trade Center and Taxi rank and not for any other purposes.*

	2012 R	2011 R
<b>20.9 EPWP Grant</b>		
Balance unspent at beginning of year	7 634 996	10 848 555
Current year receipts	4 362 765	675 100
Conditions met - transferred to revenue	-	(3 888 659)
<b>Conditions still to be met - remain liabilities</b>	<u>11 997 761</u>	<u>7 634 996</u>

<b>20.10 Skills Development Grant</b>		
Balance unspent at beginning of year	454 102	602 200
Opening balance adjustment	-	19 855
Current year receipts	1 003 859	124 700
Expenditure	(218 866)	(292 653)
<b>Conditions still to be met - remain liabilities</b>	<u>1 239 095</u>	<u>454 102</u>

*The grant is towards promotion of skills development within the municipality.*

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
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	2012 R	2011 R
<b>20.11 Library Grant</b>		
Balance unspent at beginning of year	-	18 101
Transfer to Statement of Financial Performance	-	(18 101)
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - remain liabilities</b>	<u>-</u>	<u>-</u>
<i>The grant is towards the improvement of the library.</i>		
<b>20.12 Other grants and subsidies</b>		
Balance unspent at beginning of year	-	129 665
Transfer to Statement of Financial Performance	-	(129 665)
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - remain liabilities</b>	<u>-</u>	<u>-</u>
<b>21 OTHER INCOME</b>		
<b>21.1 Other income</b>		
Other income	606 412	2 438 612
Sale of stands	-	1 292 419
Long outstanding items released to the Statement of Financial Performance	-	43 630 838
Correction of error		
<b>Total Other Income</b>	<u>606 412</u>	<u>47 361 869</u>
<b>22 EMPLOYEE RELATED COSTS</b>	<u>60 306 085</u>	<u>62 808 132</u>
Employee related costs - Salaries and Wages	36 303 112	38 390 119
Employee related costs - Contributions for UIF, pensions, provident and medical aids	11 882 689	10 136 354
Travel, motor car, accommodation, subsistence and other allowances	802 214	1 709 862
Housing benefits and allowances	519 548	150 326
Overtime payments	4 036 419	5 048 800
Performance and other bonuses	2 694 613	2 597 467
<b>Employee Related Costs</b>	<u>56 238 594</u>	<u>58 032 928</u>



**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
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	2012 R	2011 R
<b>Remuneration of the Municipal Manager</b>		
Annual Remuneration	739 009	804 006
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	109 111	120 000
Contributions to UIF, Medical and Pension Funds	998	-
<b>Total</b>	<b>849 118</b>	<b>924 006</b>

<b>Remuneration of the Chief Finance Officer</b>		
Annual Remuneration	619 540	718 086
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	73 831	96 000
Contributions to UIF, Medical and Pension Funds	13 980	-
<b>Total</b>	<b>707 351</b>	<b>814 086</b>

<b>Remuneration of Individual Executive Directors</b>	<b>Planning and Economic Development R</b>	<b>Technical Services R</b>	<b>Corporate Services R</b>	<b>Community and Public Safety Services R</b>
<b>2012</b>				
Annual Remuneration	549 745	474 015	481 491	506 439
Travel, motor car, accommodation, subsistence and other allowances	63 000	28 374	130 000	120 000
Contributions to UIF, Medical and Pension Funds	47 066	29 199	48 321	33 372
<b>Total</b>	<b>659 811</b>	<b>531 588</b>	<b>659 812</b>	<b>659 811</b>

	<b>Planning and Economic Development R</b>	<b>Technical Services R</b>	<b>Corporate Services R</b>	<b>Community Services R</b>
<b>2011</b>				
Annual Remuneration	629 605	674 415	548 239	579 234
Travel, motor car, accommodation, subsistence and other allowances	75 600	42 561	156 000	144 000
Contributions to UIF, Medical and Pension Funds	54 073	42 302	55 039	36 044
<b>Total</b>	<b>759 278</b>	<b>759 278</b>	<b>759 278</b>	<b>759 278</b>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
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	2011 R	2010 R
<b>23 REMUNERATION OF COUNCILLORS</b>		
Executive Mayor	649 647	493 641
Speaker	508 358	426 051
Executive Committee Members	1 433 283	1 074 455
Councillors' pension and medical aid contributions	337 670	585 015
Councillors' allowances	2 770 622	2 828 736
Correction of prior period error	-	-
<b>Total Councillors' Remuneration</b>	<b>5 699 580</b>	<b>5 407 898</b>

**In-kind Benefits**

The Executive Mayor, Deputy Executive Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support, and security at the cost of the Council.

The Executive Mayor has use of the Council owned vehicle for official duties.

**24 DEPRECIATION AND AMORTISATION EXPENSE**

Property, plant and equipment	126 864 169	219 073 782
Intangible assets	3 812	3 356
<b>Total Depreciation and Amortisation</b>	<b>126 867 981</b>	<b>219 077 138</b>

**25 FINANCE COSTS**

Lease finance costs	8 283	34 777
<b>Total Finance Costs</b>	<b>8 283</b>	<b>34 777</b>

**26 BULK PURCHASES**

Electricity	32 297 570	21 059 143
Water	3 021 365	215 156
Other	-	-
<b>Total Bulk Purchases</b>	<b>35 318 935</b>	<b>21 274 299</b>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	2012 R	2011 R
<b>27 CONTRACTED SERVICES</b>		
Contracted services for:		
Internal Audit Department	-	103 523
Financial services	5 601 131	1 454 033
Traffic protection services	47 865	179
Electricity general	329 468	173 507
Water reticulation	234 364	172 690
Water purification	169 541	626 547
Swimming pool facilities	-	34 087
Building and property	-	3 640
Corporate services	140 124	79 337
Other services	29 543	-
	<b>6 552 035</b>	<b>2 647 543</b>

	2012 R	2011 R
<b>28 GRANTS AND SUBSIDIES PAID</b>		
Equitable share	3 453 378	14 489 716
MIG funded PMU expenditure	960 678	781 142
Provincial Library Grant	-	58 767
Library programmes	434	1 980
	<b>4 414 491</b>	<b>15 331 605</b>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

	2012 R	2011 R
<b>29 GENERAL EXPENSES</b>		
Included in general expenses are the following:-		
Advertising	253 956	251 400
Admin fees	-	174
Audit fees	2 338 320	1 760 461
Bank charges	464 102	179 025
Bursaries	172 569	199 192
Chemicals	1 995 299	1 391 450
Cleaning	293 723	256 476
Consumables	109 628	8 452
Departmental consumption	2 936 387	3 278 872
Entertainment	173 980	174 757
Insurance	585 756	1 395 133
Legal expenses	21 282	207 515
Licence fees - vehicles	-	38 923
Medical aid contribution - Ex Pensioners	521 714	490 330
Membership fees	165 383	472 092
Postage	547 132	567 074
Printing and stationery	594 781	505 114
Professional fees	-	455 805
Security costs	4 551 138	3 986 545
Skills development levies	547 273	530 451
Stocks and material	11 852	67 326
Telephone cost	1 289 785	1 229 571
Training	634 044	499 203
Travel and subsistence	1 067 056	1 361 456
Uniforms & overalls	-	140 804
Valuation costs	114 853	1 377 164
Ward council members	745 960	476 500
Workman's Compensation	-	400 367
Other	14 220 505	13 437 674
Correction of errors		
	<b>34 356 479</b>	<b>35 139 306</b>
	2012 R	2011 R
<b>30 ASSET WRITEOFF</b>		
Scrapping of assets	-	(1 116)
	<b>(1 116)</b>	

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	2012 R	2011 R
<b>31 CASH GENERATED BY OPERATIONS</b>		
Surplus/(deficit) for the year	(120 687 614)	(149 271 566)
Adjustment for:-		
Depreciation and amortisation	126 867 981	218 460 766
Lease finance costs	-	34 777
(Gain) / loss on sale of assets	132 126	1 116
<b>Non-cash movement</b> Provision for bad debts	8 616 796	30 785 876
EPWP Grant outstanding	-	(15 068 000)
District assets	(16 747 989)	(10 189 845)
Long outstanding items released		(888 170)
PPE movements		981 500
Correction of prior period error	22 781 956	-
Contribution to provisions - non-current	3 316 710	4 592 290
<b>Operating surplus before working capital changes:</b>	<b>24 279 966</b>	<b>79 438 744</b>
(Increase)/decrease in inventories	369 288	(136 527)
(Increase)/decrease in trade receivables	(24 374 358)	(18 162 300)
(Increase)/decrease in other receivables	1 137 358	16 012
(Increase)/decrease in VAT receivable	2 258	(3 227 245)
(Increase)/decrease in Work in progress	(9 186 778)	-
Increase/(decrease) in conditional grants and receipts	20 101 268	(15 224 489)
Increase/(decrease) in trade payables	(6 530 378)	(22 854 704)
Consumer deposits	45 326	7 506
Decrease in VAT payable	6 187 393	(11 481 422)
Increase/(decrease) in provisions	-	(503 224)
<b>Cash generated by/(utilised in) operations</b>	<b>12 031 342</b>	<b>7 872 350</b>
<b>32 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	23 519 128	28 602 346
<b>Net cash and cash equivalents</b>	<b>23 519 128</b>	<b>28 602 346</b>
<b>33 CHANGE IN ACCOUNTING POLICY</b>		
The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies:		

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

	2012 R	2011 R
<b>33.1 Statutory Funds</b>		
<b>Balance previously reported: -</b>		
Revaluation Reserve	-	(52 076 403)
Capital Replacement Reserve	-	(8 873 039)
Government Grant Reserve	-	(67 499 813)
Capitalisation Reserve	-	(35 324 361)
Employee Benefit Fund	-	(680 324)
Depreciation Reserve	-	(26 691 463)
<b>Total</b>	-	<b>(191 145 403)</b>
<b>Implementation of GRAP</b>		
Transferred to Accumulated Surplus/(Deficit) (see 34.4 below)	-	(191 145 403)
<b>33.2 Property, plant and equipment</b>		
<b>Balance previously reported</b>	-	-
<b>Implementation of GRAP</b>		-
Revaluation adjustment	-	-
<b>Total</b>	-	-
<b>33.3 Accumulated Depreciation</b>		
<b>Balance previously reported -</b>	-	-
<b>Implementation of GRAP</b>		
Depreciation: Land and buildings	-	(5 425 780)
Depreciation: Infrastructure	-	(415 899 215)
Depreciation: Other	-	(17 617 201)
<b>Total (debited to Accumulated Surplus/(Deficit)) (see 34.4 below)</b>	-	<b>(438 942 196)</b>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

	2012 R	2011 R
<b>33.4 Accumulated Surplus/(Deficit)</b>		
<b>Balance previously reported</b>	-	64 033 510
<b>Implementation of GRAP</b>		
Excessive provisions and reserves no longer permitted (see 34.2 above)	-	191 145 403
Prior period long outstanding items	-	424 991
Assets from District Grant	-	13 952 260
Current period long outstanding items	-	18 772 477
<b><i>Operating leases now classified as leases - Reversal of operating lease rentals</i></b>		
- Reversal of operating lease rentals	-	637 625
- Recognition of lease finance costs	-	(94 278)
Depreciation (see 34.3 above)	-	(438 942 196)
<b>Total</b>	<b>-</b>	<b>(150 070 208)</b>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2012**

**34 CORRECTION OF ERRORS**

In the previous year, the following amounts were incorrectly classified:

Finance lease incorrectly recognised in statement of financial	214 227	
Retentions incorrectly recognised in statement of financial performance	(674 608)	
Stands monies incorrectly recorded in statement of financial performance	(10 522)	
Depreciation of investment properties held at fair value	1 232 022	
Lease movements reclassified to revaluation reserve	254 962	
Cash suspense incorrectly written off	22 138 049	
Debtors for grants incorrectly rased	(15 068 000)	
Retentions incorrectly written off	(871 363)	
	(76 508)	
Assets entry reallocated	(22 709 348)	
Original grants entry reversed from suuspense	14 588 873	
Other assets movements reversed to revaluation reserve	1 332 500	
Conditional grants revenue recognised	22 709 349	
Increase in provision for bad debts	(5 129 493)	
Old grants reversed to income	152 774	
Excessive retentions reversed - 2011	1 665 561	
Excessive retentions reversed	288 674	
	(82 889)	
Net effect on Accumulated (deficit)/surplus opening balance	<u>19 954 260</u>	

**35 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**35.1 Contributions to organised local government**

Opening balance		
Council subscriptions	89 800	37 761
Amount paid - current	(89 800)	(37 761)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<u>-</u>	<u>-</u>

**35.2 Audit fees**

Opening balance	304 407	
Current year audit fee	2 338 320	1 772 434
Amount paid - current year	(2 319 189)	(1 468 027)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<u>19 131</u>	<u>304 407</u>



**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

	2012 R	2011 R
<b>35.3 VAT</b>		
VAT input receivables and VAT output payables are shown in note 11. All VAT returns have been submitted by the due date throughout the year.		
<b>35.4 PAYE and UIF</b>		
Opening balance	625 922	501 908
Current year payroll deductions	7 908 430	7 721 635
Amount paid - current year	(7 836 749)	(7 597 621)
Amount paid - previous years	-	-
Correction of prior period error	-	-
<b>Balance unpaid (included in payables)</b>	<b>697 603</b>	<b>625 922</b>

The balance represents PAYE and UIF deducted from the June 2012 payroll. These amounts were paid during July 2012.

	2012 R	2011 R
<b>35.5 Pension and Medical Aid Deductions</b>		
Opening balance	1 379 183	990 932
Current year payroll deductions and Council Contributions		
	9 391 736	15 574 803
Amount paid - current year	(10 770 919)	(15 186 552)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>1 379 183</b>

The balance represents pension and medical aid contributions deducted from employees in the June 2012 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2012.

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

**35.6 Councillor's arrear consumer accounts**

The following Councillors had arrear accounts outstanding for more than 90 days as at: -

**Outstanding  
more than 90  
days**

**R**

**as at 30 June 2012**

ZH Luhlanga	5 102
PV Malatsi	61
EM Madontsela	16 749
SN Nxumalo	151
ZE Dlodlu	24
AC Botha	560
TP Dakile	832
CH Du Plooy	2 169
<b>Total Councillor Arrear Consumer Accounts</b>	<b>25 648</b>

**25 648**

**as at 30 June 2011**

ZH Luhlanga	4 361
PV Malatsi	967
EM Madontsela	125 798
NE Hlakutse	507
N Kula	870
FD Lotz	14 692
BW Mbatha	14 692
MS Msibi	2 601
SN Nxumalo	1 281
L Dejager	2 682
VE Ntshalintshali	2 284
ZE Dlodlu	413
TP Dakile	3 106
CH Du Plooy	486
<b>Total Councillor Arrear Consumer Accounts</b>	<b>174 740</b>

**174 740**

**2012  
R**

**2011  
R**

**36 CAPITAL COMMITMENTS**

**36.1 Commitments in respect of capital expenditure**

**- Approved and contracted for**

Infrastructure	-	<b>8 514 899</b>
Other	-	-

**- Approved but not yet contracted for**

Infrastructure	<b>4 873 428</b>	<b>19 780 000</b>
Other	-	-

**Total**

**4 873 428      28 294 899**

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

	2012	2011
	R	R

This expenditure will be financed from:

- Asset Financing Reserves	-	-
- Government Grants	4 873 428	28 294 899
	<b>4 873 428</b>	<b>28 294 899</b>

### 37 RETIREMENT BENEFIT INFORMATION

#### 37.1 Defined contribution plan

The following are defined contribution plans:

1. Municipal Gratuity Fund
2. Joint Municipal Pension Fund
3. SALA Pension Fund
3. Municipal Pension Fund
4. Councillors Pension Fund

Council's contributions are a benefit to the members and cannot be refunded to Council.

These contributions have been expensed.

### 38 CONTINGENT LIABILITY

<b>38.1</b> Claim for service rendered (DWAF)	42 452 402	42 452 402
---	------------	------------

The Municipality is in dispute with the Department of Water Affairs and Forestry (DWAF) over the invoices submitted by DWAF for the payment of water.

The Municipality is disputing the claim on the basis that there is no evidence supporting the amount being invoiced by DWAF.

<b>38.2</b> Claim for damages (Nicolas Soldatos)	10 099 995	10 099 995
--	------------	------------

Legal proceedings have been instituted against the Municipality over the death of Nicolas Soldatos, who has left three dependants behind.

<b>38.3</b> Claim for service rendered (Human Broeers Beherend)	73 071	73 071
---	--------	--------

Legal proceeding instituted against the Municipality by Human Broeers Beherend regarding unpaid due for work performed for the Municipality.

<b>38.4</b> Claim for damages (Unmarked bridge)	58 700	58 700
---	--------	--------

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2012**

Claim for damages caused as a result of an unmarked bridge and road works by Barry Roberts.

	2012 R	2011 R
<b>38.5</b>		
The Municipality is a defendant in a legal action involving the alleged failure of the Municipality to pay the plaintiff, Begwa Construction (PTY) Ltd for the supply goods in accordance with the terms of contract. The amounts claimed are R2,713,931, including 15.5% interest from the date of judgement to the date of final payment, for the remainder of the contract, for materials supplied, and R2,592,999, including 15.5% interest from the date of judgement to the date of final payment, for the remainder of the contract.		
	5 306 930	5 306 930

**39 CONTINGENT ASSETS**

The Municipality has made a claim against JF Buthelezi and L Ndaba for misappropriation of funds. The Municipality is of the opinion that the amounts are probable to be recovered.

JF Buthelezi	1 358 730	1 358 730
L Ndada	159 900	159 900
	<b>1 518 630</b>	<b>1 518 630</b>

**40 RELATED PARTIES**

Post employment benefit plan for employees of municipality and/or other related parties.

Compensation to councillors and other key management (refer to note 22 & 23).

**41 RISK MANAGEMENT**

**41.1 Maximum credit risk exposure**

Credit risk consists mainly of cash deposits, cash equivalents and consumer debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Consumer debtors comprise a widespread community base. The Municipality manages its credit risk through payment of deposits and disconnection in the case of non-payment.

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2012**

	2012 R	2011 R
Financial assets exposed to credit risk at year end were as follows:		
Standard Bank Limited	-	-
First National Bank Limited	23 519 128	28 602 346
Trade and other receivables	117 219 756	92 845 392
These balances represent the maximum exposure to credit risk.		

#### 41.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years
<b>2012</b>				
Gross finance lease obligations	2 747	5 494	6 124	-
Trade and other payables	17 147 320	-	-	-
Other	7 841 584	-	-	-
<b>2011</b>				
Gross finance lease obligations	29 031	57 154	121 751	14 928
Trade and other payables	24 050 453	-	-	-
Other	1 278 474	2 556 948	11 506 268	-

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

**41.3 Interest rate risk**

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

**42 UNAUTHORISED EXPENDITURE**

The following unauthorised expenditure occurred in the current year:

**2012**

<b>Vote #</b>	<b>Description</b>	<b>Budgeted amounts</b>	<b>Actual expenditure</b>	<b>Difference</b>
6	Community services	4 955 458	20 493 540	(15 538 082)
14	Electricity services	36 515 696	39 315 493	(2 799 797)

**2011**

<b>Vote #</b>	<b>Description</b>	<b>Budgeted amounts</b>	<b>Actual expenditure</b>	<b>Difference</b>
7	Public Safety	10 657 081	11 203 862	(546 781)
10	Technical	4 788 928	4 934 297	(145 369)
		<b>15 446 009</b>	<b>16 138 159</b>	<b>(692 150)</b>

**43 IRREGULAR EXPENDITURE**

Supply chain deviations amounted to R2,800,930 (2011: R5,897,00) in the current year.

**44 ESTIMATED MATERIAL LOSSES**

	<b>2012 R</b>	<b>2011 R</b>
Electricity	383 465	-
Water	5 233 831	-

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

	2012 R	2011 R
<b>45 PROVISION FOR REHABILITATION OF LANDFILL SITE</b>		
Provision for rehabilitation of landfill site	2 446 143	-
<b>Total Non-Current Provisions</b>		
The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 9.5%, over an average period of 10 years.		
The amount will reviewed every year depending on the changes in the original assumptions, if any.		
The movement in the non-current provision is reconciled as follows: -		
Provision for rehabilitation of landfill sites:		
<b>Balance at the beginning of year</b>	-	-
Contributions to provision	2 446 143	-
Expenditure incurred	-	-
Increase in provision due to discounting	-	-
Transfer to current provisions	-	-
<b>Balance at the end of year</b>	<u>2 446 143</u>	<u>-</u>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**APPENDIX A**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2012

	Cost / Revaluation					Accumulated Depreciation				Other	Carrying Value
	Opening Balance	Additions	Disposals	Other	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance		
	R	R	R		R	R	R	R	R		R
<b>Land</b>	117 535 000		(6 000)	(140 500)	117 388 500	-	-	20 347	20 347		117 408 847
Land	-	2 446 143	-		2 446 143	-	-	-	-		2 446 143
Landfill Sites	-	-	-		-	-	-	-	-		-
	117 535 000	2 446 143	(6 000)	(140 500)	119 834 643	-	-	20 347	20 347		119 854 990
<b>Buildings</b>	62 636 000	137 773 192	-	(262 000)	200 147 192	(5 425 780)	(4 971 057.00)		(10 396 837)	1 232 744	190 983 099
<b>Infrastructure</b>											
Drains	1 999 995		-		1 999 995	(100 000)		-	(100 000)		1 899 995
Roads	744 939 495	14 965 746	-		759 905 241	(381 946 868)	(100 809 400)	-	(482 756 268)	14	277 148 987
Sewerage Mains & Purification	40 451 307	1 771 629	-		42 222 936	(7 729 339)	(3 297 944)	-	(11 027 283)	27	31 195 680
Electricity Mains	3 785 285	225 904	-		4 011 189	(262)	(131 337)	-	(131 599)		3 879 589
Electricity Peak Load Equip	98 213 661		-		98 213 661	(15 307 057)	(7 653 715)	-	(22 960 772)	3	75 252 892
Water Mains & Purification	48 994 519		-		48 994 519	(8 563 574)	(3 798 941)	-	(12 362 515)	30	36 632 035
Reservoirs – Water	4 500 000		-		4 500 000	(1 100 884)	(552 186)	-	(1 653 070)		2 846 930
Water Mains	47 599	6 599 615	-		6 647 214	(2 577)	(133 105)	-	(135 682)		6 511 532
Water Meters	5 214 140	-	-		5 214 140	(1 148 655)	(576 402)	-	(1 725 057)		3 489 083
	948 146 001	23 562 894	-	-	971 708 895	(415 899 215)	(116 953 030)	-	(532 852 245)	74	438 856 724
<b>Community Assets</b>											
<b>Total carried forward</b>	1 128 317 001	163 782 229	(6 000)	(402 500)	1 291 690 730	(421 324 995)	(121 924 087)	20 347	(543 228 735)	1 232 818	749 694 813



**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**

**APPENDIX A**

**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**

as at 30 June 2012

	Cost / Revaluation					Accumulated Depreciation				Other	Carrying Value
	Opening Balance	Additions	Disposals	Other	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance		
	R	R	R		R	R	R	R	R		R
<b>Total brought forward</b>	1 128 317 001	163 782 229	(6 000)		1 291 690 730	(421 324 995)	(121 924 087)	20 347	(543 228 735)		749 694 813
<b>Other Assets</b>											
Furniture Fittings	8 502 176	1 451 107	(219 630)		9 733 652	(3 863 037)	(1 516 049.00)	75 704.00	(5 303 382)	173 589	4 603 860
Bins and Containers	17 814	201 765	(58.00)		219 521	(3 872)	(35 499)	78	(39 293)		180 228
Motor Vehicles	16 237 193	7 668 476	(25 700)	(596 616)	23 283 353	(12 244 751)	(2 906 992)	25 699	(15 126 044)	42 276	8 199 585
Specialised Vehicles	162 721	645 400			808 121	(162 722)	(54 849)		(217 571)		590 550
Military Equipment	34 246				34 246	(22 119)	(21 753)		(43 872)		(9 626)
Refuse Tankers	-				-	-			-		-
Computer Equipment	1 230 031	114 113	(10 940)		1 333 204	(1 125 726)	(329 264)	8 415.00	(1 446 575)	487 658	374 287
Emergency equipment		18 530			18 530		(2 414)		(2 414)		16 116
Conservancy Tankers	33 000				33 000	(1 671)	(1 104)		(2 775)	(16)	30 209
Investment Properties											
	26 217 181	10 099 391	(256 328)		35 463 628	(17 423 898)	(4 867 924)	109 896	(22 181 926)	703 507	13 985 209
<b>Finance Lease Assets</b>											
Office Equipment	403 606	-	-		403 606	(310 883)	(72 161)	-	(383 044)		20 562
	403 606	-	-		403 606	(310 883)	(72 161)	-	(383 044)		20 562
<b>Total</b>	<b>1 154 937 788</b>	<b>173 881 620</b>	<b>(262 328)</b>	<b>-</b>	<b>1 327 557 964</b>	<b>(439 059 776)</b>	<b>(126 864 172)</b>	<b>130 243</b>	<b>(565 793 705)</b>	<b>703 507</b>	<b>763 700 582</b>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**APPENDIX A**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2011

	Cost / Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposals	Other	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	
<b>Land</b>										
Land	118 516 500	-	-	(981 500)	117 535 000	-	-	-	-	117 535 000
Landfill Sites	-	-	-	-	-	-	-	-	-	-
	118 516 500	-	-	-	117 535 000	-	-	-	-	117 535 000
<b>Buildings</b>	81 436 000	-	-	(18 800 000)	62 636 000	(2 712 888)	(2 712 892)	-	(5 425 780)	57 210 220
<b>Infrastructure</b>										
Drains	1 999 995	-	-	-	1 999 995	(100 000)	-	-	(100 000)	1 899 995
Roads	736 251 202	8 688 293	-	-	744 939 495	(190 919 357)	(191 027 511)	-	(381 946 868)	362 992 627
Sewerage Mains & Purification	34 096 390	6 354 917	-	-	40 451 307	(3 722 361)	(4 006 978)	-	(7 729 339)	32 721 968
Electricity Mains	-	3 785 285	-	-	3 785 285	-	(262)	-	(262)	3 785 022
Electricity Peak Load Equip	98 213 661	-	-	-	98 213 661	(7 654 119)	(7 652 938)	-	(15 307 057)	82 906 604
Water Mains & Purification	38 804 674	10 189 845	-	-	48 994 519	(4 152 704)	(4 410 870)	-	(8 563 574)	40 430 946
Reservoirs – Water	4 500 000	-	-	-	4 500 000	(550 442)	(550 442)	-	(1 100 884)	3 399 116
Water Mains	-	47 599	-	-	47 599	(2 577)	(2 577)	-	(2 577)	45 022
Water Meters	5 214 140	-	-	-	5 214 140	(574 328)	(574 328)	-	(1 148 655)	4 065 485
	919 080 063	29 065 938	-	-	948 146 001	(207 573 310)	(208 325 905)	-	(415 899 215)	532 246 786
<b>Community Assets</b>										
Heritage Assets										
<b>Total carried forward</b>	1 119 032 563	29 065 938	-	(18 800 000)	1 128 317 001	(210 286 198)	(211 038 797)	-	(421 324 995)	706 992 006

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**APPENDIX A**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2011

	Cost / Revaluation					Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Disposals	Other	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance		
	R	R	R		R	R	R	R	R		R
<b>Total brought forward</b>	1 119 032 563	29 065 938	-		1 128 317 001	(210 286 198)	(211 038 797)	-	(421 324 995)		706 992 006
<b>Other Assets</b>											
Furniture Fittings	7 816 067	686 108	-		8 502 176	(1 933 378)	(1 929 659)	-	(3 863 037)		4 639 139
Bins and Containers	3 735	14 079	-		17 814	(1 580)	(2 292)	-	(3 872)		13 942
Motor Vehicles	12 350 634	3 886 559	-		16 237 193	(7 153 986)	(5 090 765)	-	(12 244 751)		3 992 442
Specialised Vehicles	162 721	-	-		162 721	(102 404)	(60 318)	-	(162 722)		(1)
Military Equipment	34 246	-	-		34 246	(11 060)	(11 060)	-	(22 119)		12 127
Refuse Tankers	33 000	-	-		33 000	-	-	-	-		33 000
Computer Equipment	989 454	243 252	(2 675)		1 230 031	(303 005)	(824 281)	1 559	(1 125 726)		104 305
Conservancy Tankers	-	-	-		-	(576)	(1 095)	-	(1 671)		(1 671)
Investment Properties		18 800 000			18 800 000		1 232 743		1 232 743		20 032 743
	21 389 857	23 629 999	(2 675)		45 017 181	(9 505 987)	(6 686 727)	1 559	(16 191 155)		28 826 026
<b>Finance Lease Assets</b>											
Office Equipment	403 606	-	-		403 606	(195 368)	(115 515)	-	(310 883)		92 723
	403 606	-	-		403 606	(195 368)	(115 515)	-	(310 883)		92 723
<b>Total</b>	<b>1 140 826 026</b>	<b>52 695 937</b>	<b>(2 675)</b>	<b>-</b>	<b>1 173 737 788</b>	<b>(219 987 554)</b>	<b>(217 841 039)</b>	<b>1 559</b>	<b>(437 827 033)</b>		<b>735 910 755</b>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**APPENDIX B**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**  
as at 30 June 2012

	Cost / Revaluation					Accumulated Depreciation					Carrying value
	Opening Balance	Additions	Disposals	Other	Closing Balance	Opening Balance	Additions	Disposals	Other	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	
Executive & Council	457 271	228 770	(13 967)		672 074	(209 312)	(97 711)	6 643	35 191	(265 189)	406 885
Finance & Admin	6 916 494	162 088	(25 730)	(596 616)	6 456 236	(2 578 532)	(885 961)	12 727	666 097	(2 785 669)	3 670 568
Planning & Development	153 394	42 894	(474)		195 814	(70 933)	(34 414)	219	3	(105 125)	90 688
Community & Social Services	1 642 476	128 831	(33 150)		1 738 157	(937 798)	(270 812)		14	(1 208 596)	529 560
Public Safety	8 473 008	850 781	(3 683)		9 320 106	(7 101 514)	(513 494)	2 502	2 010	(7 610 496)	1 709 610
Sport & Recreation	1 230 373				1 230 373	(1 158 717)	(31 453)		17	(1 190 153)	40 220
Waste Management	86 312 128	2 712 530	(148 442)	87	88 876 303	(19 415 275)	(8 386 574)	48 877		(27 752 972)	61 123 331
Road Transport	738 960 857	14 965 171			753 926 028	(376 676 832)	(100 718 489)			(477 395 321)	276 530 707
Electricity	104 026 867	225 904			104 252 771	(15 995 481)	(7 933 545)		18	(23 929 008)	80 323 764
Other	225 564 918	152 715 088	(36 882)	(18 503 000)	359 740 125	(14 915 382)	(6 932 988)	130 203	1 253 291	(20 464 876)	339 275 249
<b>Total</b>	<b>1 173 737 787</b>	<b>172 032 057</b>	<b>(262 328)</b>	<b>(19 099 529)</b>	<b>1 326 407 987</b>	<b>(439 059 775)</b>	<b>(125 805 441)</b>	<b>201 171</b>	<b>1 956 641</b>	<b>(562 707 404)</b>	<b>763 700 583</b>

**PIXLEY SEME LOCAL MUNICIPALITY**  
**APPENDIX C**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ended 30 June 2012

<b>2011 Actual Income</b>	<b>2011 Actual Expenditure</b>	<b>2011 Surplus / (Deficit)</b>		<b>2012 Actual Income</b>	<b>2012 Actual Expenditure</b>	<b>2012 Surplus / (Deficit)</b>
<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>	<b>R</b>	<b>R</b>
-	37 176 059	(37 176 059)	Executive & Council	80 508 494	17 340 837	63 167 657
176 045 174	268 155 181	(92 110 007)	Finance & Admin	24 876 302	165 557 696	(140 681 393)
			Planning &			
62 875	3 382 132	(3 319 257)	Development	6 000	5 934 947	(5 928 948)
			Community & Social			
4 276 844	15 205 597	(10 928 753)	Services	3 742 750	20 431 607	(16 688 857)
568 632	12 287 308	(11 718 677)	Public works	801 009	20 212 161	(19 411 152)
11 566 168	4 734 386	6 831 782	Sewerage	10 756 476	5 310 203	5 446 273
6 745 402	6 170 963	574 439	Waste Management	5 860 558	6 656 740	(796 181)
23 102 416	8 008 384	15 094 032	Water	11 309 919	12 469 993	(1 160 074)
22 727 157	27 938 385	(5 211 228)	Electricity	34 674 473	39 309 412	(4 634 939)
		-				
177 788	11 485 625	(11 307 837)	Other	-	-	-
<b>245 272 456</b>	<b>394 544 020</b>	<b>(149 271 564)</b>		<b>172 535 981</b>	<b>293 223 596</b>	<b>(120 687 614)</b>
			Less: Inter-			
			Department Charges			
-	-	-		-	-	-
<b>245 272 456</b>	<b>394 544 020</b>	<b>(149 271 564)</b>	<b>Total</b>	<b>172 535 981</b>	<b>293 223 596</b>	<b>(120 687 614)</b>